India's BJP government presses forward with big business "reforms"

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India's Bharatiya Janata Party (BJP) government used the just-concluded budget (or spring) session of parliament to press forward with a raft of neo-liberal "reforms," which will further enrich local and global investors at the expense of the working class and rural toilers.

On May 6, the government secured passage of the Goods and Services Tax (GST) bill by the Lok Sabha, the lower house of parliament. A measure long demanded by big business, the International Monetary Fund and global credit-rating agencies, the GST bill would replace various national and state government levies with a single national sales tax on virtually all good and services starting in April 2016.

Finance minister Arun Jaitley has called the GST, which the previous Congress Party-led government also advocated, "the biggest reform" in India since independence. He claims it will push up India's growth rate by as much as two percentage points.

Big business sees two huge benefits to the GST. First, it will reduce business costs and facilitate the "seamless" movements of goods and services across India's 29 states, by eliminating local charges, including octroi (a tax levied on goods entering a state). Second, it will enable the Indian state to intensify its drive to reduce taxation rates on big business and the well-to-do and shift an ever greater share of taxation onto ordinary Indians via regressive consumption taxes.

A government think-tank has recommended the GST rate be set at a staggering 27 percent. Jaitley, however, has termed that "too high," insisting this week that the rate will be "much more diluted."

Earlier in the budget session, the BJP government succeeded in getting parliament to adopt a series of pro-investor measures it had enacted on a temporary basis via ordinances, i.e., through executive decree. (See: "India's Modi regime imposes big business "reforms" by executive fiat")

These included laws sanctioning foreign and domestic investment in India's coal industry, the world's largest, and the auctioning off of iron ore, bauxite, zinc, and lead mines to private investors. A third law increases the limit on Foreign Direct Investment (FDI) in the insurance sector to 49 percent from 26 percent.

The BJP has a majority in the Lok Sabha. But it needs the support of a section of the opposition in the upper house of India's parliament, the Rajya Sabha, to pass most bills ("money bills" are exempt.)

All of the opposition parties, including the Stalinist Communist Party of India (Marxist) and its Left Front, support the bourgeoisie's drive to make India a cheap-labour production hub for global capital and when in government have implemented pro-investor "reforms."

Thus it was entirely predictable that after posturing as opponents of several key BJP initiatives, such as the bills throwing open India's mining sector to big business, various opposition parties, like the Trinamul Congress, the AIADMK, and the BJD, ultimately voted for them in the Rajya Sabha.

Big business is angered, however, over the delays in securing passage of pro-market legislation.

Rattled by the steep drop in India's growth rate after 2011, big business rallied round the self-styled Hindu strongman Narendra Modi and his BJP in last year's election with the expectation they would dramatically accelerate the pace of neo-liberal "reform."

In the case of the GST, the BJP government has the added difficulty that its implementation requires a constitutional amendment. In addition to getting the approval of the Rajya Sabha, the measure needs to be approved by the legislatures of a majority of the 29 states.

Some of the opposition-led state governments are opposing the GST bill. They resent the limits it will impose on their taxation powers (fearing it will make them more dependent on central government handouts) and at the very least hope to win financial concessions from New Delhi by withholding their support.

In a bid to secure Congress Party support, the BJP this week dropped its opposition to having the GST bill studied by a parliamentary committee. It has also announced concessions to the states so as to mollify various regional-based bourgeois factions. These include setting up a GST Council on which state-government representatives will comprise the majority and allowing the state governments to continue to impose higher taxes on alcohol (currently an important source of their revenue).

Even more contentious is the BJP government's push to gut the 2013 Land Acquisition Act ("The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act").

Under conditions where government land seizures for big business development projects had triggered massive social struggles, including in West Bengal, Orissa and Maharashtra, the Congress-led government sought to fashion a mechanism whereby land expropriations could be said to have greater popular legitimacy. Initially big business favoured the Congress plan, but subsequently it denounced its provisions as too time-consuming and costly and it is now insisting that the 2013 law constitutes a huge barrier to investment.

Aware of how explosive the land expropriation issue is, the BJP itself voted for the 2013 law. But with big business insistent that it must have the means to rapidly secure large tracts of land, the BJP has brought forward legislation—temporarily enacted via ordinance—that would drastically lower the percentage of landowners who would have to agree to sell their land before the Act's expropriation powers could be invoked. The BJP is also determined to eliminate any provision for a "social impact assessment" of the expropriation's impact on all those who rely on the land for their livelihood, including landless labourers and their families.

The Congress Party, which was shattered in the May 2014 national election, is desperately seeking to use its association with the 2013 law to regain support. The other opposition parties are also making a show of defending the 2013 law, at least until the BJP offers them something substantial in return.

The Indian Stalinists are playing a key role in containing and politically derailing the popular opposition to the BJP government.

Leaders of the Communist Party of India (Marxist) or CPM and the other main Stalinist parliamentary party, the Communist Party of India (CPI), shared the platform with representatives of several right-wing regional parties, including the Trinamool Congress, at a May 5 rally in New Delhi against the Land Acquisition Bill. Addressing the gathering, newly-elected CPM General Secretary Sitaram Yechury said that the bill "will be stalled in the Rajya Sabha" and defeated "through struggles inside as well as outside parliament."

For all their "opposition" to the BJP on this issue, it should be remembered that the CPM-led Left Front government in West Bengal brutally suppressed peasant opposition in Nandigram to its plans to expropriate land for a Special Economic Zone to be given over to an Indonesian-based transnational.

As the Modi government approaches the first anniversary of its coming to power, Indian and global big business are expressing frustration over the pace of pro-investor restructuring.

According to an article in the *Financial Times*, "Muttering noises are greeting Narendra Modi as he approaches his first anniversary as India's leader later this month—and it is the sound of brewing corporate discontent."

Banker Deepak Parekh recently pointed to growing "impatience" in business circles, while former BJP minister Arun Shourie called the government's economic policy "directionless."

These comments are also indicative of mounting concern over the state of the Indian economy. While there was an initial surge of investment following Modi's election, it has since slowed and despite a dramatic fall in oil prices—India is heavily dependent on oil imports—important sectors of the economy continue to grow at rates far below the norm of the previous decade. An IMF report earlier this month expressed alarm over the balance sheets of India's banks, warning that they were at risk due to the large number of non-performing and restructured corporate loans.